Introduction

Strathleven Regeneration C.I.C. (SRC) is pleased to respond to the Local Government & Regeneration Committee’s call for written evidence to its Delivery of Regeneration in Scotland inquiry, the remit for which is: ‘to identify and examine best practice and limitations to the delivery of regeneration in Scotland’.

Our response is in two parts. The first is a summary of our experience and results as a special purpose vehicle formed in the aftermath of a major closure. We believe that this is an example of best practice and thought it may be of particular interest to the Committee as the Scottish Government’s Regeneration Strategy does not include content related specifically to major closures. The second part provides responses to some, but not all, of the themes of interest set out by the Committee. Our responses are limited to aspects of which we have experience.

We would be delighted to host a project visit by the Committee, should that be of interest.

The Lomondgate story

In June 1998 Diageo announced the impending closure of the J&B whisky bottling plant at Dumbarton, with the closure itself taking place in 2000. The decision was a major economic shock to the local economy. 470 people were employed at the plant and the decision was also a psychological blow as Dumbarton was regarded as a whisky town. Within days of the announcement a Task Force was established with membership including: John McFall MP (Chair), Jackie Baillie MSP, West Dunbartonshire Council, Scottish Enterprise Dunbartonshire, Diageo, J&B employee representatives, Employment Service and Clydebank College. By the time of the actual closure, in April 2000, all but 80 of the workforce had found alternative employment or opted for early retirement.

On closure of the plant, the Task Force was succeeded by Strathleven Regeneration Company (SRC), a special purpose vehicle created to facilitate physical and economic regeneration of the redundant plant and environs. SRC (now a Community Interest Company) was established as a non-profit distributing company limited by guarantee and was from the outset seen as a partnership of the public and private sectors.
Original members included; John McFall MP (Chair), Diageo, Jackie Baillie MSP, West Dunbartonshire Council (WDC) and Scottish Enterprise Dunbartonshire (SED). In terms of resources, Diageo has contributed a dowry of £550,000 and transferred 22 acres of land, WDC transferred 34 acres of adjoining land and has contributed £180,000 of seed funding with SE(D) contributing a total of £340,000 of seed / legacy funding. WDC and SED have also provided significant ‘in kind’ support to SRC – essential for a company which employed no staff until 2006.

Much of the financial support and asset transfers were conditional on SRC entering into a joint venture with a developer who would acquire from Diageo the former plant (part of which was, in 2002, leased to BBC Scotland). In 2004, after a number of false dawns and following detailed negotiations, SRC and property developers, Walker Group (Scotland) Ltd, signed a formal Development Agreement. The Development Agreement effectively pooled the property south of the A82 acquired by Walker Group with the SRC land north of the A82. Although the resultant development requires to be wholly commercial (it has no public capital funding), the Development Agreement has an overarching economic regeneration objective.

Following formalisation of SRC’s Development Agreement with Walker Group the pre-development phase lasted almost three years, during which time planning and other statutory consents were secured. In October 2007 the Lomondgate development was launched and Walker Group let the main advance infrastructure contract (including the creation of a new roundabout on the A82). The Walker Group reached peak expenditure as the financial crisis hit and the economic downturn became evident. This impacted adversely on the financial expectations of both development partners and on the apparent prospects for Lomondgate but both SRC and the Walker Group kept the faith. Importantly, the development partnership matured over the following few years, with SRC making a distinctive, value adding contribution (including an interface with local businesses, chamber of commerce and economic development bodies such as SE, SDI and West Dunbartonshire Council).

In the face of the most challenging economic and market conditions for decades, Lomondgate has emerged as one the most active regeneration sites in Scotland. Highlights include:

- Our development partner, Walker Group, has committed over £17 million to date.

- BBC Scotland’s studios and River City set support 220 net additional jobs.

- Whitbread Group completed development of a 60 bedroom Premier Inn hotel and the Malt & Myre pub/restaurant in January 2011, employing 46 people 16 of whom were previously unemployed. In January 2012, Costa opened its first drive-through outlet in Scotland, employing approximately 20 people.
• Scottish headquartered, world-leading temporary power provider **Aggreko** has constructed a £22 million expanded manufacturing facility, saving 120 jobs locally and with a total of almost 500 people working on site while fulfilling its order for the 2012 Olympic Games.

• **Walker Group**, **Persimmon Homes** and **Taylor Wimpey** are all actively building new houses at Lomondgate, with 178 (of a total of 340) completed or under construction at the end of 2012.

SRC commissions annual **economic impact** monitoring of Lomondgate. To April 2012 (and prior to Aggreko’s new manufacturing facility becoming fully operational), Lomondgate’s cumulative impact on the regional economy was independently assessed as £133.5 million of Gross Value Add (GVA). Roger Tym & Partners forecast that, by 2019, Lomondgate could accommodate 2,000 jobs and have contributed over £500 million GVA to the regional economy. Total estimated investment at Lomondgate is calculated at over £136 million with over £50 million having occurred by April 2012. It is estimated that Lomondgate’s residents will boost the area’s gross disposable income by some £11 million annually.

Lomondgate has been designated as a **Strategic Economic Investment Location** (SEIL) in the Strategic Development Plan for Glasgow & the Clyde Valley and SRC has developed a strategic vision for the SEIL which embraces Lomondgate and the adjacent Vale of Leven Industrial Estate. It is envisaged that the forthcoming Local Development Plan for West Dunbartonshire will delineate the SEIL as Lomondgate + Vale of Leven Industrial Estate. SRC and West Dunbartonshire Council have been working with businesses to explore the potential of a **Business Improvement District** (BID) at Vale of Leven Industrial Estate and a seedcorn grant has recently been awarded by the Scottish Government, with further support from West Dunbartonshire Council.

Lomondgate has been part of the **Clyde Waterfront** regeneration area since its boundaries were extended west of the Erskine Bridge. As its name suggests, Lomondgate will become a gateway to **Loch Lomond & the Trossachs National Park** (although outwith the National Park boundary).

**Themes of interest**

**Strategy and Policy Issues**

*How can the linkage between the various strategies and policies related to regeneration be improved?*

The Scottish Government’s Regeneration Strategy states that “the relationship between economic development and regeneration is co-dependent”. The
Regeneration Strategy further states that “regeneration must be tackled alongside wider economic development activity... to ensure that Scotland’s most disadvantaged areas are supported so that, in turn, they can contribute to and benefit from economic growth”. We would agree with those views. It follows that there should be an inter-relationship between regeneration and economic development strategies and policies.

We also support the Strategy’s views that “local authorities are best placed to ensure that local regeneration is delivered alongside other critical functions including, housing, planning and education” and that “local authorities are well placed to coordinate economic development and regeneration activity, and are also the lead statutory partners in community planning”, and note the importance of linkages between (in lowland Scotland) Scottish Enterprise – the main economic development agency – and local authorities.

There is no national spatial strategy or national priorities for regeneration.

Our experience suggests that the business community has a valuable role to play, alongside local authorities and political leaders, in regeneration initiatives with a strong economic development dimension.

**Can physical, social and economic regeneration really be separate entities? The Committee would find it useful to hear about projects distinctly focussed on one or more aspects, and the direct and indirect outcomes of such activity.**

In considering this question it is important to distinguish between the nature of the regeneration intervention and the holistic regeneration outcomes which result. In our experience, there is frequently confusion between the two with, for example, our Lomondgate project being perceived simply as physical regeneration / infrastructure because the regeneration medium happens to be physical development. However, it has an overarching economic regeneration objective and has outcomes which span physical, economic and social regeneration.

The Lomondgate project is a regeneration response to a major closure. We have measured outcomes predominantly in terms of economic impacts – in particular, jobs and GVA (see above) – and a key milestone has recently been reached with there being more jobs at Lomondgate than existed in the J&B bottling plant prior to its closure. The project was guided by the local community’s call for new jobs and a more diversified economy and was planned holistically as a mixed development in which the component parts (roadside services, business space and housing) are mutually complementary and additional to Dumbarton. Our belief is that, while the project’s manifestation is as large scale property development, it is every bit as much part of community regeneration as smaller scale, community-based projects.
Although social regeneration was not an overt objective, Lomondgate has significant social regeneration impacts. For example, the residential elements of the project are playing an important role in providing enhanced housing choice and stock in an area which has suffered disproportionately from out-migration of the most economically active age groups.

**Are we achieving the best value from investment in this area? If not, how could funding achieve the maximum impact? Could the funding available be used in different ways to support regeneration?**

Although it is universally recognised that the economy and public finances are in a new era, much of the public funding for regeneration is being applied (albeit in reducing amounts) to initiatives and models which were designed in/for preceding eras. Many of the approaches to regeneration still being applied and publicly funded - and which were appropriate to give positive discrimination to areas which were falling behind in a time of relative plenty - may now be acting to the disadvantage of other areas.

From the outside looking in, it can seem as though those areas and projects with Scottish Government backing receive a multi-layering of support and are first in line for any new funding mechanisms (although that may in part be resource substitution). (There is a risk that publicly-funded ‘shovel ready’ development projects – where only publicly-funded bodies can afford to speculatively develop projects to that stage – could compound this.) There seems to be little opportunity at present for other, good projects which may generate greater benefits for relatively modest support to access Scottish Government backing. (We considered that Lomondgate Business Park closely fitted the criteria for the new breed of Enterprise Zones / Areas and that EA status could have given that component of the project a small, but useful edge consistent with a minimum intervention approach but the EA selection process was not open.)

On a specific, we await the Regeneration Capital Fund being opened up to all and operating as a challenge fund.

Operationally, our approach at Lomondgate has been to optimise leverage (of investment) and economic additionality, so maximising value.

One feature of our modus operandi – and something which may also have a bearing on the next question (re value for money) – is that, as a special purpose vehicle, we are highly focussed on a specific (albeit large) task and have the leanest organisation possible for that task. One of the merits of this is that, although we have the benefit of being highly connected to the local authority (West Dunbartonshire Council), there is no duplication of or overlap with mainstream
functions and activities. We adopt a light touch approach on aspects such as employability and training, only connecting to those with primary responsibility, such as the local authority and Job Centre Plus. There is therefore no blurring of responsibility and none of the friction or waste which that could cause.

**Partnership Working**

*What delivery mechanisms, co-ordination of, and information on the funding that supports regeneration are required, to facilitate access by all sections of the community?*

We are not in a position to try and answer this question fully but, at the most obvious level, two elements of the answer seem to be (a) new mechanisms and (b) funding which is accessible on an open, competitive basis.

(On mechanisms we note the emergence, south of the border, of a more economic development-oriented approach, with economic development companies - often at city-region level - becoming prevalent. Without having detailed knowledge of the policy drivers, there does appear to be some logic to a re-balancing towards economic regeneration & development in a context where market demand in the economy is thin and regions and places have to compete for scarce development and investment.)

SPRUCE, Scotland’s JESSICA fund, is one of the few new funding sources and there is a perception that it has moved (away from regeneration) to occupy a space left by the banks when they virtually ceased lending on commercial property, so mirroring the ‘flight to prime’ of investment funds, leaving regeneration-oriented projects having to be underwritten by the public sector.

Central to the successes achieved at Lomondgate has been a partnership with the private sector and an entrepreneurial approach (reflected in Strathleven Regeneration’s status a social enterprise in the third sector). We believe that a social enterprise ethos has wider potential in regeneration and, perhaps, better fits the current era.

*Should funding be focussed on start up or running costs? What is the correct balance between revenue and capital funding? Please indicate reasons for your views*

It is difficult to generalise. In the case of Strathleven Regeneration, all our public funding support has been seed funding (revenue). In addition, an area of low-value
land was transferred to the company by West Dunbartonshire Council (and by Diageo). There has been no public capital funding to date in the Lomondgate development. The leverage achieved to date is more than 100:1 and the Community Interest Company is currently self-sustaining. In our relationship with the West Dunbartonshire Council, we have shifted from revenue support (subsidy) to a Service Level Agreement (something for something).

We were created as hybrid between a special purpose vehicle (SPV) and a Local Asset Backed Vehicle (LABV) and have morphed into a social enterprise.

In making new funding decisions, a key question would be whether there is the potential to earn income, otherwise, revenue and capital funding will of necessity be public. Public funding decisions should be informed by prioritisation and cost-benefit analysis.

**How can it be ensured that regeneration projects are sustainable in the long term?**

If regeneration projects are defined as point-in-time interventions ‘to reverse the economic, physical and social decline of places where market forces alone won’t suffice’, their sustainability can only be measured relative to project-specific ‘reversal’ objectives. The ability to achieve these reversals may be materially impacted upon by changes in the macro environment during the course of a project, necessitating fundamental review. Long term sustainability will depend in large part on factors beyond the regeneration project itself. Project design and decision taking should be informed by learning from the evaluation of sustainability in other regeneration projects (including cases of multiple interventions). In our experience, some things which increase the prospects for sustainability include; building on the strengths of a place, realising opportunity, working with the grain of the market / with the private sector and acting developmentally against degeneration (prevention rather than cure).